

Federal Funding for Homeland Security

The tragic events of September 11, 2001, have brought increased Congressional and public interest in federal spending for homeland security. Funding for those activities is split among 200 different appropriation accounts within the federal budget and involves many different functional areas of the government. Furthermore, most of the funding resides within accounts that primarily finance programs that are not classified as homeland security activities. That accounting arrangement makes it difficult for budget analysts to distinguish and track homeland security spending.

Most of the current data on funding for homeland security are provided in annual reports to the Congress by the Administration's Office of Management and Budget (OMB). Largely on the basis of those reports, the Congressional Budget Office (CBO) estimates that federal resources dedicated to homeland security activities will total about \$41 billion in 2004—roughly double the amount allotted to those activities before September 11.¹ For 2005, the Administration has proposed increasing homeland security funding to \$47 billion, or about 14 percent above the current level (see Table 1).

What Is Homeland Security?

Any discussion of homeland security is usefully accompanied by a clear definition, particularly because there is some confusion and disagreement about what the topic encompasses. The executive branch's publications define homeland security as "a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from attacks that do occur."² The activities that make up that national initiative are divided into six mission areas:

- *Intelligence and warning*—Includes efforts to detect and monitor potential threats before attacks occur within the United States. Most of those efforts are carried out by the Department of Homeland Security (DHS).

- *Border and transportation security*—Encompasses airline security and inspection of cargo at points of entry into the United States to prevent unwanted individuals or weapons from entering the country. Those activities are performed primarily by DHS's Border and Transportation Security Directorate, which encompasses the Transportation Security Administration, or TSA (created in November 2001), and the entities that previously constituted the Immigration and Naturalization Service and the Customs Service.
- *Domestic counterterrorism*—Consists largely of federal law enforcement and investigative activities that center on identifying and apprehending terrorists. Primary responsibility for those activities rests with the Department of Justice's Federal Bureau of Investigation (FBI).
- *Protection of critical infrastructure and key assets*—Includes ensuring the physical security of national landmarks and critical infrastructure (for example, bridges and power plants) as well as the physical security of federal buildings and installations. The Department of Defense (DoD) receives the largest share of funding for this purpose.
- *Defense against catastrophic threats*—Entails efforts to prevent terrorists from obtaining weapons of mass destruction (chemical, biological, or nuclear) and activities to mitigate the effects of such weapons if they are used. The Department of Health and Human Services (HHS) carries out most of those tasks.

1. All years referred to in this brief are fiscal years.

2. See Office of Homeland Security, *The National Strategy for Homeland Security* (July 2002), p. 2, available at www.whitehouse.gov/homeland/book/index.html; Office of Management and Budget, *2003 Report to Congress on Combating Terrorism* (September 2003), available at www.whitehouse.gov/omb/inforeg/2003_combat_terr.pdf; and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Analytical Perspectives* (February 2004), pp. 25-39, available at www.whitehouse.gov/omb/budget/fy2005/pdf/spec.pdf.

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Table 1.**Total Federal Resources for Homeland Security**

(Budget authority in billions of dollars)

	2001	2002	2003 ^a	2004 Estimated ^a	2005 Requested ^a
Discretionary Budget Authority					
Regular appropriations	15.0	17.0	32.1	36.1	41.5
Supplemental appropriations	3.6	12.3	5.9	0.1	0
Fee-funded activities	0.7	2.2	2.7	3.3	3.6
Mandatory Spending	<u>1.5</u>	<u>1.7</u>	<u>1.8</u>	<u>1.8</u>	<u>2.2</u>
Gross Budget Authority^b	20.7	33.0	42.5	41.4	47.3

Sources: Congressional Budget Office; Office of Management and Budget.

- a. Numbers differ slightly from those published by the Office of Management and Budget as part of the Administration's 2005 budget request because CBO used different estimates of spending for mandatory and fee-funded activities.
- b. Excludes offsetting collections and receipts, which are recorded as negative budget authority. For 2003, those collections and receipts totaled about \$4 billion.

■ *Emergency preparedness and response*—Includes efforts, mostly by DHS and HHS, to lessen the effects of future terrorist attacks, including creating federal response plans and providing equipment and training for local “first responders” (such as firefighters, police, and medical personnel).

According to OMB, about 37 percent of the \$41 billion provided for homeland security in 2004 is for border and transportation security activities, and another 30 percent is allotted to protection of critical infrastructure and key assets. The remaining funds are for emergency preparedness and response (17 percent), domestic counterterrorism (7 percent), defense against catastrophic threats (7 percent), and intelligence and warning (1 percent).³

Another definition of homeland security could identify a different set of activities and funding amounts. For example, the executive branch's definition focuses only on activities aimed at preventing or responding to terrorist attacks within U.S. borders and not on those devoted to combating terrorism overseas. Overseas activities, such as security at U.S. embassies and military facilities and some intelligence activities, are accounted for separately; OMB

estimates that 2004 funding for those purposes totals about \$12 billion. Of that amount, DoD and other national security agencies receive over \$8 billion, and the Department of State, about \$1.8 billion.

Distinguishing between activities aimed at making the U.S. homeland more secure against terrorist attacks and those directed toward other purposes is not always easy. For example, some observers would argue that homeland security is a substantial part of DoD's mission. Currently, however, OMB includes in the homeland security category only security at domestic military bases and some defense research facilities, as well as some activities aimed at defending the nation against weapons of mass destruction. And even that categorization is not always clear. For instance, it takes in none of DoD's security and counterterrorism operations in response to the September 11 attacks—operations such as Noble Eagle, which includes combat air patrols over the United States and increased security at military facilities. Over \$2 billion was appropriated for Noble Eagle for 2004.

A similar difficulty in clearly categorizing homeland security activities arises with regard to emergency preparedness and response, especially as it relates to assistance for first responders. To meet the Administration's definition of homeland security, the purpose of that assistance must be primarily to deal with the aftereffects of terrorism. However, because first responders employ their equipment and training in a wide range of public safety activities, it is difficult to distinguish between their expendi-

3. Numbers in the text and tables of this brief may not add up to totals because of rounding. For a more complete discussion of homeland security mission areas and their associated funding levels, see Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Analytical Perspectives*.

tures for homeland security purposes and those for other functions.

In preparing this brief, CBO used the executive branch's definition, for two reasons: it is narrow enough to permit meaningful analysis, and it allows analysts to use data that OMB has collected over the past few years and that have been considered by policymakers during the legislative process.

Homeland Security and the Federal Budget

Most funding for homeland security is classified as discretionary spending and provided through appropriations, which for 2004 total almost \$40 billion. The collection of fees, mostly by TSA, offsets about \$3 billion of that amount. Mandatory spending finances some additional homeland security activities; in 2004, that funding will total almost \$2 billion, CBO estimates.⁴ About three-quarters of that mandatory amount is for border protection and immigration enforcement, and CBO estimates that most of those expenditures will be offset by immigration and customs user fees, which the budget records as offsetting receipts.

The allocation of homeland security funding to almost 200 appropriation accounts within the federal budget substantially complicates efforts to track such spending. In addition, agencies, in their accounts, do not separate that funding from money appropriated for their other activities. Indeed, much of the money for homeland security activities resides within accounts that finance primarily non-homeland-security spending, such as departmental salaries and expenses. That accounting practice makes it difficult to clearly identify homeland security funding as it moves through the appropriation process.

Section 889 of the Homeland Security Act of 2002 attempted to address that issue by directing OMB to produce an annual report on homeland security funding to accompany the President's annual budget submission. The reports contain data on homeland security spending collected by federal agencies and updated throughout the fiscal year, but those data do not always provide a consis-

tent picture of expenditures.⁵ Classifying and reporting spending on homeland security activities require judgments about particular projects and programs. In addition, under the current data-collection process, definitions of homeland security and current- and prior-year funding levels are continually being modified and updated.⁶ (It is particularly hard to reliably compare the estimated 2004 funding level of \$41 billion with the data collected before 2001.)⁷ Those limitations remain even after the consolidation of a number of activities under the new Department of Homeland Security, because appropriation accounts and programs are essentially the same as they were before being shifted to the new agency.

The Department of Homeland Security

The President and the Congress created the Department of Homeland Security in November 2002 to bring together in one agency activities that had previously been spread throughout the federal government. Agencies that are now part of DHS include the Coast Guard, the Federal Emergency Management Agency (FEMA), the Secret Service, the Transportation Security Administration, and activities that were formerly part of the Immigration and Naturalization Service (INS) and the Customs Service. Gross budget authority for the department (excluding income from fees and other offsetting receipts) totals about \$37 billion for 2004, CBO estimates. For 2005, the Administration is requesting about \$40 billion in gross budget authority.

Despite its name, the Department of Homeland Security's activities are not strictly limited to that mission. Only about \$24 billion of DHS's 2004 budget is directed

4. Mandatory spending refers to funding that is not subject to annual appropriations. It includes some programs and activities that have their own built-in financing (such as user fees and receipts), which allows them to operate without annual appropriations.

5. Before 2004, that information was provided by OMB in an annual *Report to the Congress on Combating Terrorism*, as required by section 1051 of the National Defense Authorization Act of 1998.

6. For example, this brief updates CBO's recent analysis of homeland security funding in January 2004 (published in *The Budget and Economic Outlook: Fiscal Years 2005 to 2014*, Appendix C) to take into account the latest data from OMB.

7. Before 2002, OMB's annual reports focused on the definition of "combating terrorism," which included overseas activities. Beginning in 2002, the report has focused on "homeland security," which expands the previous definition to include border enforcement activities of the Immigration and Naturalization Service and the Customs Service but narrows it to exclude overseas activities. The 2002 report included data for 2001 that had been adjusted to reflect the new definition.

toward purposes that meet the executive branch's definition of homeland security (see Figure 1). Those activities include, among other things, border and coastal security, immigration enforcement, and grants to first responders. The remaining \$13 billion finances non-homeland-security functions that have been transferred to DHS along with the homeland security activities performed by their original agencies. The Coast Guard, for example, carries out both homeland security (such as coastal defense and port security) and non-homeland-security (such as marine safety and navigation support) activities. Other examples of non-homeland-security duties that DHS discharges are disaster relief administered by FEMA and immigration services previously performed by the INS.

Homeland Security Activities in Other Federal Agencies

Although many homeland security activities have been consolidated under the mantle of DHS, other federal agencies also continue to carry out such activities. On the basis of data from OMB, CBO estimates that those agencies have been allocated a total of about \$17 billion in gross budget authority for 2004. Of that amount, activities within the Department of Defense (security at military installations as well as research and development of antiterrorism technologies, for example) account for about \$7 billion (see Table 2). Homeland security activities of the Departments of Health and Human Services and Justice account for another \$4 billion and \$2 billion, respectively. Most of the HHS funds support research to develop methods to detect and vaccinate against possible biological agents. The Department of Justice's homeland security funding includes a portion of the budget of the FBI as well as support for other law enforcement activities to detect and apprehend terrorists.

Trends in Homeland Security Funding

Funding for homeland security activities has risen substantially since 2001. Gross budget authority for those functions in that year, excluding supplemental appropriations enacted immediately after September 11, totaled about \$17 billion. Adding the supplemental appropriations raises that figure by almost \$4 billion, bringing total funding for 2001 to \$21 billion. The Congress and the President increased that amount to about \$33 billion in 2002 (including \$12 billion in supplemental appropriations), to \$43 billion in 2003 (including about \$6 billion

in supplemental appropriations), and to an estimated \$41 billion for 2004.

In dollar terms, activities within the Department of Homeland Security have received the largest portion of the increases of the past two years. Before the department was established, its component agencies received about \$11 billion in gross budget authority for homeland security activities in 2001, by CBO's estimates; almost \$2 billion of that amount was provided in supplemental appropriations enacted after September 11. For 2004, CBO estimates, DHS received gross appropriations of about \$24 billion for homeland-security activities—more than double the amount provided in 2001. Funding for the Transportation Security Administration (which was established in 2002) accounts for about \$4 billion of the increase.⁸ Of the remainder, \$3 billion is for grants to state and local first responders, \$2 billion funds increases for border security activities, and almost \$1 billion is allocated to biodefense research.

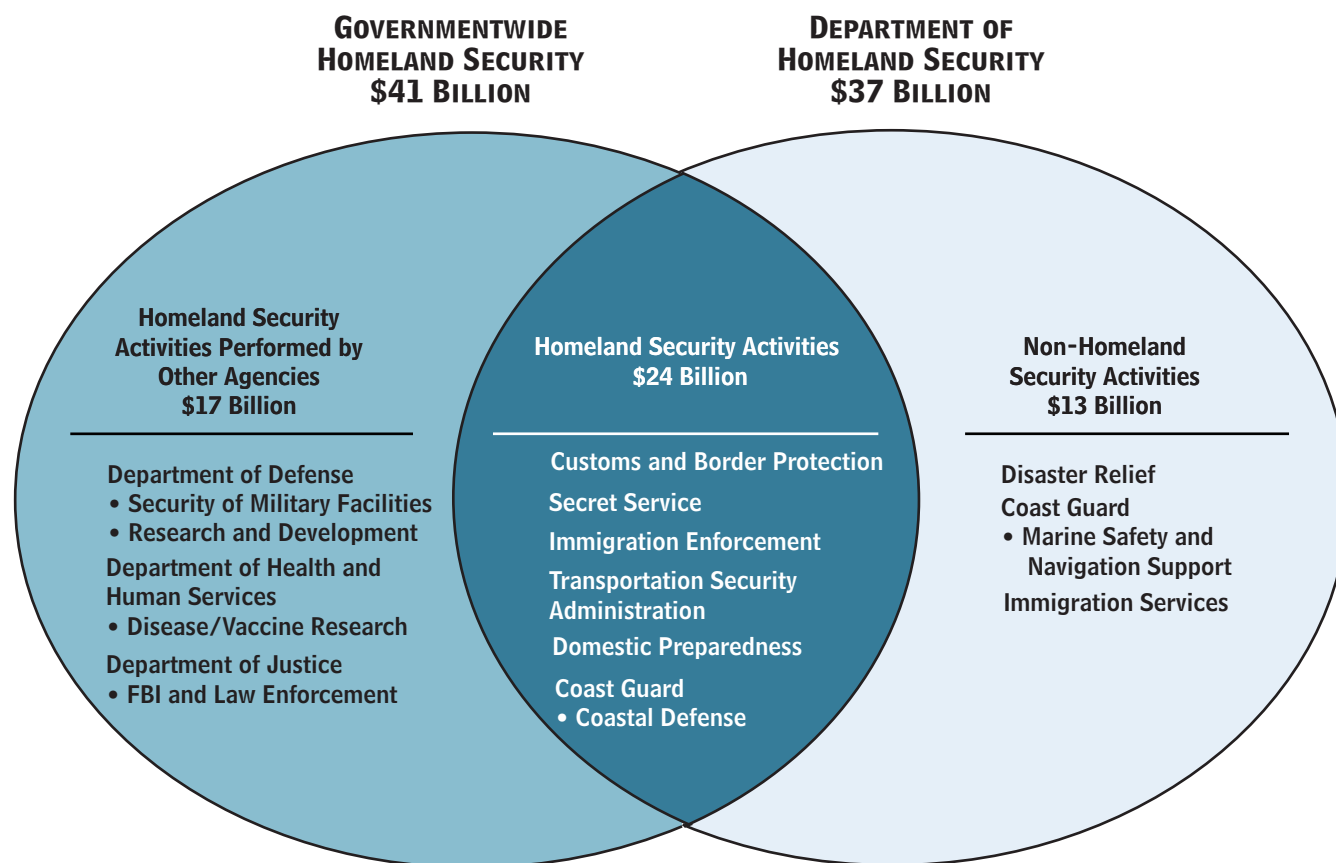
Funding for homeland security efforts within the Departments of Defense and Justice has also increased since September 2001. Homeland-security-related appropriations for DoD rose from about \$5 billion in 2001 (including over \$1 billion in supplemental funding) to about \$7 billion in 2004. Most of the additional funds have been used to strengthen security at domestic military installations. Homeland security funding for the Department of Justice rose from about \$1 billion in 2001 to more than \$2 billion in 2004, with much of that increase going to pay for domestic counterterrorism activities of the FBI.

The largest percentage increase in homeland security funding since September 11 has been for activities within the Department of Health and Human Services: those activities claimed about \$300 million of HHS's budget in 2001 and more than \$4 billion in 2004. About \$2 billion of the increase can be attributed to additional funding for research by the National Institutes of Health—specifically, to find new ways to detect and combat biological agents. In addition, the Centers for Disease Control and Prevention has received about \$1 billion in annual home-

8. TSA was not officially created until 2002, but \$1.6 billion in unobligated funds—originally appropriated soon after the terrorist attacks in 2001—was transferred to the new agency to help pay its start-up costs. If that amount is excluded, TSA has added about \$5 billion to DHS's budget.

Figure 1.

Funding for the Department of Homeland Security and for Governmentwide Homeland Security, 2004



Source: Congressional Budget Office.

Note: FBI = Federal Bureau of Investigation.

land security funding to help improve the response of local hospitals to catastrophic events.

The President's Budget Request for 2005

For 2005, the President has requested about \$47 billion for homeland security activities, an increase of roughly \$6 billion (14 percent) over the 2004 level. About a third of that increase comprises advance appropriations provided for biodefense countermeasures. Funding for that effort, known as Project BioShield, was enacted as part of the Department of Homeland Security Appropriations Act, 2004 (Public Law 108-90), and will be used, among other purposes, to create incentives to increase research

on new vaccines. In total, policymakers appropriated almost \$6 billion for that activity, including \$885 million for 2004 and advance appropriations of \$2.5 billion for 2005 and \$2.2 billion for 2009.

Under the President's proposals, the Department of Homeland Security would get the largest increase in funding for homeland security activities for 2005: an addition of more than \$3 billion, for a total of \$27 billion, including funding for Project BioShield. Apart from the \$1.6 billion increase for that project, the largest boost in financing—over \$1 billion—would go to DHS's Border and Transportation Security Directorate. That money would be allocated mainly to the Transportation Security

Table 2.**Funding for Homeland Security, by Agency**

(Budget authority in billions of dollars)

	2001 ^a	2002	2003 ^b	2004 Estimated ^b	2005 Requested ^b
Department of Homeland Security ^c					
Border and immigration enforcement	5.5	8.5	8.0	7.8	8.7
TSA and air marshalls ^d	1.6	3.7	5.9	5.1	5.7
State and local grant programs ^e	0	0.2	3.5	3.4	3.6
Coast Guard	2.5	2.6	3.6	3.1	3.3
Other	<u>1.0</u>	<u>2.7</u>	<u>2.2</u>	<u>4.1</u>	<u>5.9</u>
Subtotal	10.7	17.7	23.1	23.6	27.1
Department of Defense	5.4	5.2	8.4	7.0	8.0
Department of Health and Human Services	0.3	1.9	4.1	4.1	4.3
Department of Justice	1.0	2.1	2.3	2.2	2.6
Department of Energy	1.0	1.2	1.4	1.4	1.5
Department of Agriculture	0.2	0.6	0.4	0.3	0.7
Department of Transportation	0.4	1.2	0.4	0.3	0.2
National Science Foundation	0.2	0.3	0.3	0.3	0.3
Other Agencies	<u>1.5</u>	<u>2.9</u>	<u>1.9</u>	<u>2.2</u>	<u>2.6</u>
Gross Budget Authority^f	20.7	33.0	42.5	41.4	47.3

Sources: Congressional Budget Office; Office of Management and Budget.

- a. Includes \$3.6 billion in supplemental spending enacted immediately after September 11, 2001.
- b. Numbers differ slightly from those published by the Office of Management and Budget as part of the Administration's 2005 budget request because CBO used different estimates of spending for mandatory and fee-funded activities.
- c. The Department of Homeland Security was established in 2003. Figures for 2001 and 2002 represent the spending of the agencies that eventually composed the new department.
- d. The Transportation Security Administration was not officially created until 2002. However, \$1.6 billion in unobligated funds—originally appropriated soon after the terrorist attacks in 2001—was transferred to the new agency to help pay its start-up costs.
- e. Includes \$500 million for firefighter assistance grants in 2005.
- f. Excludes offsetting collections and receipts, which are recorded as negative budget authority. For 2003, those receipts and collections totaled about \$4 billion.

Administration for purchasing new explosives-detection systems and improving security technology and training.

Homeland security funding for other agencies would also rise under the President's proposed budget. About \$1 billion of that increase would go to the Department of Defense, mainly to improve security at military installations. An additional \$400 million would be allocated to the FBI to improve law enforcement activities directed at apprehending terrorists. That increase would bring the portion

of the total FBI budget dedicated to counterterrorism efforts to \$1.7 billion, or about 40 percent.

In some instances, the budgetary proposals for 2005 represent a decrease from the 2004 levels of funding. For example, the Administration proposes to reduce funding to \$3 billion for first-responder grant programs that are currently categorized as homeland security—a decline of almost \$400 million (over 11 percent) from the 2004 level. However, about \$3.5 billion appropriated in previous years for those activities remains unobligated. The funds

have been allocated to the states, but the money has been disbursed slowly, for several reasons: changes in administrative procedures, a lengthy grant approval process that has been more time-consuming than expected, and coordination efforts among states, contractors, and vendors to negotiate better prices for bulk purchases of equipment (such as fire trucks and police cars) for multiple local jurisdictions.

For 2005, the Administration also proposes to reclassify funding for the firefighter assistance grant program—which typically has funded general preparedness efforts—as homeland security money. (The proposal reflects proposed language in the President’s budget specifying that priority should be given to activities that will prepare firefighters for potential acts of terrorism.) For 2004, state

and local governments are slated to receive almost \$750 million in firefighter assistance; the 2005 budget proposes to allocate \$500 million to that program. If, as the Administration apparently intends, that assistance was reclassified for 2005 but not for 2004, total funding for grants to state and local governments for homeland security would increase by \$120 million and sum to more than \$3.5 billion.

This issue brief was prepared by Matthew Schmit, with contributions from Melissa Merrell and Gerard Trimarco. It and other CBO publications are available at the agency’s Web site (www.cbo.gov).

